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FISCAL IMPACT STATEMENT

LS 7527

BILL NUMBER: HB 1669

NOTE PREPARED: Feb 10, 2009

BILL AMENDED: Jan 27, 2009

SUBJECT: Geothermal conversion loans.

FIRST AUTHOR: Rep. Michael

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill establishes the Geothermal Conversion Revolving Fund (Fund) for the purpose of making loans to school corporations that: (1) install a geothermal heating and cooling system in a new facility; or (2) install a geothermal heating and cooling system that replaces a conventional heating and cooling system. It provides that the Fund is administered by the Department of Education (Department). It requires the Department to establish a written procedure for providing loans from the fund to school corporations.

The bill specifies that a loan from the Fund may not exceed the difference between: (1) the cost of installing a geothermal heating and cooling system; and (2) the cost of installing a conventional heating and cooling system. It requires a school corporation to enter into a loan agreement with the Department before receiving a loan from the fund. It requires the Department to report annually to the Budget Committee concerning the projects funded with loans from the Fund. It appropriates \$2,000,000 to the Fund from the state General Fund beginning after June 30, 2011.

Effective Date: July 1, 2009.

Explanation of State Expenditures: (Revised) This bill establishes a Geothermal Conversion Revolving Fund for the purpose of making loans to school corporations that are either installing a geothermal heating and cooling system in a new facility or are replacing a conventional heating and cooling system with a geothermal system. It appropriates \$2 M from the state General Fund for FY 2012 and FY 2013 to be used to implement its provisions. It requires the Department of Education to administer the Fund and to develop written procedures for providing loans from the Fund to school corporations. The Department has to report annually to the Budget Committee concerning the projects funded with loans from the Fund. This could add

administrative duties to the Department of Education. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill authorizes school corporations to borrow money from the Geothermal Conversion Fund to purchase a geothermal heating and cooling system (new school) or replace a conventional heating system with a geothermal one. The amount of the loan would be the difference between the geothermal and the conventional systems.

The school corporation has to file an application with the Department of Education which has final approval. The corporation would have up to 15 years to repay the loan either from its general fund or from its capital projects fund. Under this proposal, the number of school corporations that find it economically feasible to install a geothermal system could increase. The Department of Education is charged with selecting projects for which loans will be made.

Background: According to the Department of Energy, geothermal systems are capable of using up to 30% less energy than conventional systems. Even though they may be several times more costly than conventional systems to install, the additional costs could be amortized within 5 to 10 years. System life is estimated at approximately 25 years. Approximately 50,000 systems are installed in the US annually. Eighteen systems have been installed in Indiana schools.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations.

Information Sources: Department of Energy Website: <http://www.eere.energy.gov/>

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